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Tioga Man Sentenced for Theft of Federal Funds and Gun Charges

BISMARCK - Acting United States Attorney Lynn Jordheim announced that on February 8, 2010, **Eugene W. Knutson**, 59, of Tioga, North Dakota, was sentenced before United States District Court Judge Daniel L. Hovland on two counts of theft from a program receiving federal funds and one count of possession of an unregistered firearm.

Judge Hovland sentenced Knutson to serve three years and one month in federal prison, to be followed by three years of supervised release. Knutson was ordered to pay restitution of \$309,489.34 and to pay a \$300 special assessment to the Crime Victim's Fund.

Between October 1, 2006, and September 30, 2008, Knutson was the chairman of the Tioga Airport Authority Board of Directors and was in possession of the checkbook for the Authority. During this time, Knutson issued checks drawn on the Tioga Airport Authority bank account and deposited those checks, totaling \$246,999.49, into bank accounts bearing his name. Knutson had no authority to deposit checks in this manner, and the funds were not used for the airport improvement project for which they were received.

Between January 1, 2005, through December 31, 2007, Knutson was also the president of the Tioga Fire Department. The Fire Department received in excess of

\$10,000 in grant money from the U.S. Department of Homeland Security through the North Dakota Department of Emergency Services (DES) to be used for the purchase of equipment approved by DES. During this time, Knutson was in charge of purchasing the approved equipment on behalf of the Fire Department. Instead, Knutson directed that checks be issued on the Tioga Fire Department bank account and sent to another business, and then directed another check to be issued back to Knutson or another entity, none of which were used to purchase the approved equipment. In total, Knutson obtained \$62,489.85 through this conduct.

On September 25, 2008, during the course of the embezzlement investigation, law enforcement officers discovered Knutson possessed one Sten-type 9 mm machine gun, one Boito FIE 20-gauge double-barreled shotgun and a firearm silencer. None of these firearms were registered to Knutson in the National Firearms Registration and Transfer Record as required by law. Due to the nature of these firearms, it was illegal for Knutson to possess them without such registration. In total, law enforcement officials seized over 400 firearms from Knutson. Many of these firearms, not including the illegal firearms, had been purchased with the stolen money.

The case was investigated by the Federal Bureau of Investigation, Alcohol, Tobacco, Firearms and Explosives, North Dakota Bureau of Criminal Investigation and Williams County State's Attorney's Office.

Assistant United States Attorney Rick Volk prosecuted the case.